

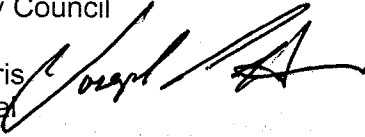


City of Detroit
OFFICE OF THE AUDITOR GENERAL
Coleman A. Young Municipal Center
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Joseph L. Harris, CPA, CIA
Auditor General

Sharon L. Gipson, CPA
Deputy Auditor General

MEMORANDUM

Date: June 8, 2005
To: Honorable City Council
From: Joseph L. Harris, CPA, CIA
Auditor General 
Subject: General Fund Cash Flow Projection
C: City Clerk

Attached is a statement of projected cash flows that is based on the budget adopted by the City for the 2005-2006 fiscal year. This budget will enable the City to maintain a neutral cash flow throughout the next fiscal year. In addition, this budget makes great inroads in addressing the City's structural deficit.

The Administration is proposing additional expenditures to be funded by non-cash-flow items (\$22 million of the deficit carry forward), unlikely revenues (\$6 million increase in Utility Users' Tax), and unlikely expenditure reductions (\$20 million from divestiture of the Transportation and Civic Center Departments). The City Council should require that the Administration identify reductions in cash flows from other appropriations, rather than basing additional cash outlays on unlikely revenue increases or unlikely appropriation decreases.

Decreases in funding for the Police and Fire Departments are a phenomena that began in major cities several years ago. (See attached articles.) Detroit is one of the last of the major cities in the United States to experience these reductions because the City has been able to postpone drastic financial measures due to a major influx in revenues from casinos, and by incurring hundreds of millions of dollars in debt.

By City Council maintaining its current course of action, our City will learn to do more with less by incorporating best practices into our processes. Moreover, the City will rid itself of the structural deficit that threatens the City's governance.

By capitulating to the Administration's proposal, the City's finances will have been jeopardized, and an opportunity to cure the City's structural deficit will have been foregone.

Attachments (6)

CITY OF DETROIT
PROJECTED CASH FLOWS FOR THE YEAR ENDING JUNE 30, 2006¹
(000,000)

	<u>Jul-05</u>	<u>Aug-05</u>	<u>Sep-05</u>	<u>Oct-05</u>	<u>Nov-05</u>	<u>Dec-05</u>	<u>Jan-06</u>	<u>Feb-06</u>	<u>Mar-06</u>	<u>Apr-06</u>	<u>May-06</u>	<u>Jun-06</u>	<u>FY 05-06 TOTALS</u>
RECEIPTS													
PROPERTY TAX	\$ 16.000	\$ 64.500	\$ 3.000	\$ 3.000	\$ 3.000	\$ 7.000	\$ 65.000	\$ 3.000	\$ 0.500	\$ 0.500	\$ 0.500	\$ 20.000	\$ 186.000
INCOME TAX	22.700	22.700	22.700	22.700	22.700	22.700	22.700	22.700	22.700	22.700	22.700	22.700	272.400
UTILITY USERS TAX	4.166	4.166	4.166	4.166	4.167	4.167	4.167	4.167	4.167	4.167	4.167	4.167	50.000
STATE REVENUE SHARING	47.516		47.516		47.517		47.517		47.517		47.517		285.100
WAGERING TAX	12.750	12.750	12.750	12.750	12.750	12.750	12.750	12.750	12.750	12.750	12.750	12.750	153.000
CASINO MUNICIPAL SERVICE FEES	4.000		5.380			5.470							14.850
MISC. RECEIPTS ²	<u>36.586</u>	<u>36.586</u>	<u>36.586</u>	<u>36.586</u>	<u>36.587</u>	<u>36.587</u>	<u>36.587</u>	<u>36.587</u>	<u>36.587</u>	<u>36.587</u>	<u>36.587</u>	<u>36.587</u>	<u>439.040</u>
TOTAL RECEIPTS	<u>\$ 143.718</u>	<u>\$ 140.702</u>	<u>\$ 132.098</u>	<u>\$ 79.202</u>	<u>\$ 126.721</u>	<u>\$ 88.674</u>	<u>\$ 188.721</u>	<u>\$ 79.204</u>	<u>\$ 124.221</u>	<u>\$ 76.704</u>	<u>\$ 124.221</u>	<u>\$ 96.204</u>	<u>\$ 1,400.390</u>
DISBURSEMENTS													
SALARIES AND WAGES	\$ 35.702	\$ 35.702	\$ 35.702	\$ 35.702	\$ 35.703	\$ 35.703	\$ 35.703	\$ 35.703	\$ 35.703	\$ 35.703	\$ 35.703	\$ 35.703	\$ 428.432
BENEFITS ³	19.234	45.795	37.552	19.234	26.561	19.234	19.234	19.234	19.234	19.234	19.235	100.750	364.531
TAX DISTRIBUTIONS				4.000		15.000				4.000		15.000	38.000
DEBT SERVICE ⁴			13.560	3.020	1.990				57.500	25.030	16.580		117.680
TIPPING FEES	47.931		19.530										67.461
MISC DISBURSEMENTS	<u>32.503</u>	<u>32.503</u>	<u>32.503</u>	<u>32.503</u>	<u>32.503</u>	<u>32.503</u>	<u>32.503</u>	<u>32.503</u>	<u>32.504</u>	<u>32.504</u>	<u>32.504</u>	<u>32.504</u>	<u>390.040</u>
TOTAL DISBURSEMENTS	<u>\$ 135.370</u>	<u>\$ 114.000</u>	<u>\$ 138.847</u>	<u>\$ 94.459</u>	<u>\$ 96.757</u>	<u>\$ 102.440</u>	<u>\$ 87.440</u>	<u>\$ 87.440</u>	<u>\$ 144.941</u>	<u>\$ 116.471</u>	<u>\$ 104.022</u>	<u>\$ 183.957</u>	<u>\$ 1,406.144</u>
INCREASE (DECREASE) IN CASH	<u>\$ 8.348</u>	<u>\$ 26.702</u>	<u>\$ (6.749)</u>	<u>\$ (15.257)</u>	<u>\$ 29.964</u>	<u>\$ (13.766)</u>	<u>\$ 101.281</u>	<u>\$ (8.236)</u>	<u>\$ (20.720)</u>	<u>\$ (39.767)</u>	<u>\$ 20.199</u>	<u>\$ (87.753)</u>	<u>\$ (5.754)</u>
CUMULATIVE INCREASE (DECREASE) IN CASH	<u>\$ 8.348</u>	<u>\$ 35.050</u>	<u>\$ 28.301</u>	<u>\$ 13.044</u>	<u>\$ 43.008</u>	<u>\$ 29.242</u>	<u>\$ 130.523</u>	<u>\$ 122.287</u>	<u>\$ 101.567</u>	<u>\$ 61.800</u>	<u>\$ 81.999</u>	<u>\$ (5.754)</u>	

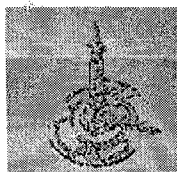
Assumptions

¹ Based on the City's 2005-2006 Adopted Budget

² Includes \$40 million for the sale of land

³ Includes \$50 million payment of 2004-2005 normal pension costs

⁴ Includes repayment of \$55 million Revenue Anticipation Note



Bart Peterson, Mayor of Indianapolis
Office of the Mayor

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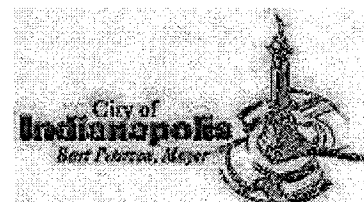
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3/18/2005

Media Contact:

Steve Campbell, [317] 327-3622
 Monica Brase, [317] 327-3690



**Info on layoffs, service cuts in other U.S. cities online at
www.IndianapolisWorks.com**

INDIANAPOLIS - Details on police layoffs, the closure of fire stations, closed parks and swimming pools and other cutbacks in vital city services in cities across the United States are now online at www.IndianapolisWorks.com.

When Mayor Bart Peterson announced his Indianapolis Works plan in August, he warned that Indianapolis was beginning to experience what many major cities across the country are facing right now: local government shortfalls that are increasing at a staggering rate.

For instance:

- Pittsburgh laid off 100 police officers, is closing fire stations, closed nearly all city swimming pools and recreation centers, cut basic services and is raising parking taxes.
- Cleveland laid off 250 police officers and 70 firefighters.
- San Francisco is closing fire stations on a rotating basis, reducing pothole-repair crews, closing recreation centers, reducing its litter pickup and laying off public health nurses.
- Erie County, NY, Buffalo's home, is reducing police patrols and snowplowing, closing all county parks and golf courses and is cutting loose many of its cultural institutions.
- San Diego is considering charging families a monthly fee to collect trash and increasing parking meter rates and storm drain fees to fill a \$50 million hole.
- Detroit has started looking for services to cut and is laying off at least 700 workers to fill its multi- hundred-million dollar budget shortfall.
- Memphis is planning to trim or cut city services and lay off more than 2,000 workers.
- Los Angeles County laid off 1,200 sheriff's deputies in two years.
- New York reduced its police force by 3,000 between 2001 and 2004.

To stop this from happening in Indianapolis, the Mayor proposed Indianapolis Works, a plan to cut the cost of local government by \$35 million every year.

Without the plan, the city and county would be forced to lay off police officers, Sheriff's deputies and firefighters, close parks, cut neighborhood services and cut back on other important services, just as other cities across the country are doing.

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Volume 8, Number 5

A League of Kansas Municipalities Publication

Shane Bartley, editor

February 14, 2003

Fiscal Conditions Force One in Four Cities to Consider Police Cuts

Cities Rank Investing in Local Infrastructure and Homeland Security as Nation's Top Priorities

Washington, DC, February 12, 2003—Fiscal conditions in the nation's cities have forced one in four to cut police positions or to expect cuts in the near future, according to a recent survey of 322 cities and towns by the National League of Cities (NLC).

The survey found that 16% of cities had cut police positions within the past year and another 8% expect to cut police jobs in the near future. 9% of cities said fiscal conditions had forced cuts in firefighter positions and another 7% expected to make cuts in the near future.

"These numbers underscore the very real threat to hometown America posed by the federal, state, and local budget crises, which

are all linked," said John DeStefano, Jr., president of the National League of Cities and mayor of New Haven, Conn. "The federal government whose support has still not arrived and the states who are cutting dollars to cities and towns due to their financial problems are leaving America's hometowns to carry the burden alone."

Ranking the Nation's Top Priority

Asked to select the single top priority for the nation, 43% of surveyed city leaders chose investing in local infrastructure and programs to strengthen the economy. 26% chose ensuring homeland security. 15% chose disarming Iraq's weapons of mass destruction through military action. And 7% chose cutting taxes to strengthen the economy. 9% selected other categories.

Dueling 911 Bills Heard by Committee

This week, the Senate Commerce Committee heard testimony from representatives of local government and representatives of the wireless industry concerning the development of enhanced wireless 911 in Kansas. The Committee is considering two different pieces of legislation on this subject.

SB 153 was proposed by the local government community and includes two key components: 1) extend the existing 911 tax (up to \$.75 per customer per month) to include wireless communications; 2) establish a state revolving loan fund, supported by a \$.25 surcharge on wireless communications, in order to assist rural counties. In contrast, the wireless proposal, found in **SB 180**, would establish a state-administered fund and a surcharge of \$.50 per wireless customer, per month. One-half of the monies collected would be retained by wireless companies and the remainder would be sent to the statewide fund. Local PSAPs would have to apply to the fund in order to receive any monies.

LKM testified in support of SB 153 as part of the Public Safety Alliance (PSA). The PSA is made up of 24 different associations who have come together to support the development of enhanced wireless 911 in Kansas and who support SB 153. Those associations include: American Heart Association, City Attorneys Association of Kansas, City Clerks/Municipal Finance Officers Association, Johnson County Sheriff's Office, Johnson County Fire Chiefs Association, Kansas 9-1-1 Providers Association, Kansas

Association of Counties, Kansas Association of Chiefs of Police, Kansas Association Council/Commissioners, Kansas Association for Court Management, Kansas Chapter, National Emergency Number Association, Kansas County Sheriff's Association, Kansas Emergency Medical Services Association, Kansas Fire Service Alliance, Kansas Government Finance Officers Association, Kansas Human Resource Management Association, Kansas Human Relations Association, Kansas Legislative Policy Group, Kansas Mayors Association, Kansas Municipal Insurance Trust, Kansas Recreation & Park Association, Kansas State Association of Fire Chiefs, League of Kansas Municipalities, Mid-America Regional Council.

The Committee is expected to work the bill next week. Stay tuned.

Critical Issues Moving Through Process

LKM has identified a number of critical issues as part of a legislative package aimed at mitigating the impact of the recent and proposed cuts in demand transfers. A complete list of those issues, along with bill numbers where available, can be found at www.lkm.org. For a copy of LKM testimony or the status of these bills, visit the bills-online section of our website at www.lkm.org/legislative.



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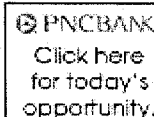


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Pittsburgh's Budget Crisis To Affect 500 Workers

City Layoffs Could Start Tuesday

POSTED: 10:08 a.m. EDT August 4, 2003

UPDATED: 5:05 p.m. EDT August 4, 2003

PITTSBURGH -- Pittsburgh's budget crisis could lead to layoffs for 500 city workers; that includes 150 police officers.

The City Council decided Monday it will stay on the job until the budget crisis is resolved.

The budget battle in Harrisburg is causing trouble for the city financially. It will cancel its summer recess to work on the problems.

The city is looking at potential layoffs if the budget battle isn't resolved in Harrisburg.

Police union officials released a statement Sunday night saying the executive board knows layoffs could start Tuesday.

The Murphy administration plans the layoffs and a cut in services because lawmakers have not acted on a bailout package.

That bailout would help with the city's \$60 million budget deficit.

Pittsburgh City Council President Gene Riccardi said, "If things continue the way they are today, with no drastic action either by the city of Pittsburgh or no enabling legislation in Harrisburg, we will be out of money. That means we will be broke in November. We will not be able to make a payroll or pay utility bill."

A representative with the mayor's office said the city is "continuing to develop plans for what our next step will be given the legislature has not taken action on Pittsburgh's plan to reform the tax structure."

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NEWS

Campbell announces \$61 million in cuts, 100s of layoffs

 From WKYC-TV 3 reports
November 24, 2003

In a 45-minute address at City Council this afternoon, Mayor Jane Campbell announced a \$61 million cut in the city's budget, including the layoff of 263 police officers.

The City of Cleveland will do everything in its power to "live within its means" in 2004. Campbell went on to say that next year's budget will "maintain city services."

Those services will be maintained, she contends, with layoffs of over 660 police, fire and EMS workers.

Mayor Campbell says police dispatch, SWAT and bomb squad officers will remain the same, while officers dedicated to 911 response will increase. The new focus on 911 calls should increase the percentage of officers responding to calls from 44 to 55. EMS will maintain 18 on-duty vehicles during the day, and 16 at night.

There will be a drastic decrease in traffic controllers.

The city expects revenues of \$464 million next year. Without cuts, planned budget increases would put the final amount spent at \$525 million -- enough, Campbell says, to put the city into fiscal emergency and turn control of the city over to the state.

Breakdown of layoffs

According to Mayor Campbell, there will be a total of 663 layoffs, the majority of them among the safety forces: 263 police officers, 150 firefighters and 22-25 EMS workers. As far as city services, trash removal, snow plowing, street sweeping and street repair will be maintained.

The city's 20 recreation centers will continue to be open, though only Monday through Friday from 11:30 a.m. until 8 p.m. Outdoor pools will have their season reduced to July 4th through October 15th.

City, unions to negotiate

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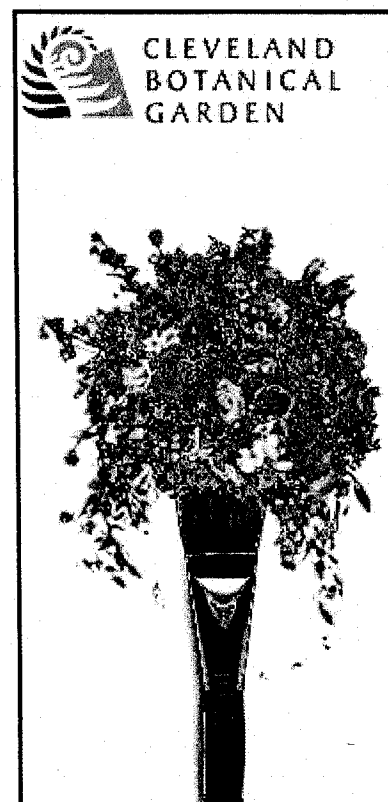
Campbell has informed the various unions involved that the number of layoffs can be reduced if city workers will agree to some concessions.

Reportedly, EMS workers have agreed to certain concessions. The firefighters' union isn't pleased with recent talks involving a 4% pay cut.

Campbell calls the financial crisis the biggest Cleveland has faced since the city went into default in the 70s. Even after the cuts, the number of police officers per capita in the city is the highest in the state.

Tonight's council meeting at City Hall is expected to be packed with city workers upset about losing their jobs.

But council doesn't have to approve Campbell's proposal for her to enact it.



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What's ahead for Boston

Reduced local aid, increased development, and a fresh-faced city council
BY SAMUEL R. TYLER

NEXT YEAR, Boston will struggle to prioritize the delivery of municipal services in a tight fiscal climate, even as planning intended to further enhance the city continues. Preparations will be made, for instance, for the 2004 opening of the new Boston Convention & Exhibition Center on the South Boston waterfront. Also, work is beginning on the Democratic National Convention, which will take place in the FleetCenter, also in 2004. These two big events, especially the Democratic Convention, will offer an opportunity to showcase Boston nationally. They can act as catalysts, bringing together public and business leaders to address a series of critical issues that will shape the city for generations to come, such as development of the Surface Central Artery. Even so, the public's attention next year will be focused primarily on the weakened economy and its impact on city and state services.

Projections of a \$2 billion state deficit in fiscal 2004, which starts on July 1, 2003, will likely bring a second round of even deeper local-aid cuts than those Boston faced this year. These cuts will create the biggest fiscal challenge of Mayor Tom Menino's nine years in office, during which time his administration has enjoyed consecutive years of steady spending growth. A reduction of 10 percent in state aid to Boston would constitute a loss of approximately \$50 million — about 2.8 percent of this year's budget. With employee costs representing almost 70 percent of the city's total operating budget, the mayor will need to reduce work-force levels in most departments. Attrition and an early-retirement-incentive program will help if the administration exercises discipline in not filling vacant positions. The Boston Police Department is already feeling the squeeze — the mayor canceled this year's class of 60 Boston police recruits. The School Department, which, at 36 percent of the budget, is the biggest department, will probably be required to make the biggest dollar cut — a cut that could lead to the closing of a few small schools and to teacher layoffs. But no City of Boston department will be spared the demand to cut expenses.

Adding pressure to the budget situation is the need for the city to negotiate new employee agreements with most city unions, including the police unions, whose contracts expired last June. The contracts for the teachers and firefighters will expire this coming summer. Already, union leaders are arguing for generous salary increases because of residency requirements and the high cost of housing in Boston.

Faced with these prospects, Menino has sent a legislative package to Beacon Hill that would let the city create new tax sources locally. Most notable: bills to increase the meals tax by one percent, establish an entertainment excise tax of 50 cents for each ticket for sporting and musical events, and to implement a new parking excise tax of 10 percent. Any tax debate will be linked to the Menino administration's record of controlling expenses and adopting initiatives to provide services more efficiently.

The Menino administration is already taking steps to meet the fiscal challenges ahead. A process has been under way to control additions to the city payroll, and the capital budget has been trimmed over the past three years. An adequate reserve of approximately \$182 million has been built up from which limited funds are available to help mitigate deep cuts in basic core services in 2003.

THAT SAID, the city faces a number of distinct challenges:

Public safety. Next year, the city must focus on maintaining Boston's strong record of public safety with fewer police officers and added law-enforcement responsibilities. Regular police services will need to be balanced with the department's new responsibility of preventing and, possibly, responding to terrorism — efforts that will require financial support from Washington, DC. Meanwhile, preparations and funding for security for the Democratic Convention must be addressed. Even as the department faces further challenges next year, cancellation of the new class of recruits, coupled with the retirement of more than 30 officers in January, will leave the department short-staffed. Commissioner Paul Evans must implement his reorganization plan of moving officers from administrative positions to street patrol. However, the four police unions pushing for new collective-bargaining contracts will resist this effort.

Housing. Building and maintaining affordable housing will remain a central issue for the city next year. The mayor's recent attempt to institute rent stabilization, while not successful, sparked a much-needed political discussion of the problem. Business, real-estate, and nonprofit institutional leaders recognize the seriousness of the housing problem and its effect on growing Boston's economy, and they seem willing to play a more active role in solving the problem. Examples of new approaches could include employer-assisted housing, revision of the zoning code to encourage residential development downtown or near transit stations, and as-yet-untried measures to preserve existing affordable housing. The mayor is in a position to bring together key players to reach consensus on steps that can be taken at the local level to increase housing development. There's no doubt that part of the solution will see City Hall changing the way it does business in terms of permitting, managing land availability, streamlined decision-making, and the extent of neighborhood involvement.

Development. Planning for existing and future development projects in Boston will be critical next year. With the new convention center scheduled to open in 2004, hotel-development and transportation planning will have to move forward. While initial planning for the Rose Kennedy Greenway District project involving the 27 acres of the Surface Central Artery land is being undertaken by the Massachusetts Turnpike Authority, the final governance, planning, and financing structure has not yet been resolved and should be finalized early next year. As of this writing, the Turnpike Authority, the City of Boston, and the Boston Redevelopment Authority (BRA) are close to agreeing on a joint-planning process. These plans involve 15 development parcels and 16 open-space parcels that will create a whole new dynamic for downtown Boston.

Meanwhile, Boston's first business-improvement district (BID) will be created in 2003 along the Washington Street corridor between the Theater District and State Street, pending approval by the legislature and governor and a vote of businesses in the district. The BID will provide additional services beyond those offered by the city, such as ambassador services, litter removal, coordinated marketing, programming, and homeless assistance. Boston is one of the few major cities in the country that does not have a BID, and this retail area is considered the third most important in the Commonwealth.

Medical research. Medical research is a major driver of the city's economy, as well as the state's, and is positioned to grow significantly with new federal research dollars for defense and

homeland-security purposes. Anticipated new development in the Longwood Medical Area has prompted the BRA to propose interim guidelines for such expansion over the next 18 months, while a new master plan for the area is finalized. Transportation plans to support this new development are complete and await decisions on the state's share of the funding.

Waterfront development. Meanwhile, Governor-elect Mitt Romney has indicated his support for urban development as part of a regional smart-growth plan. Following that position, Romney and Menino must ensure that the city and Commonwealth collaborate next year in the completion of the Municipal Harbor Plan to guide building along Boston's waterfront area when the development cycle improves.

Transportation. Funding for the third phase of the Silver Line between Boylston Station and South Station must be included in the federal Transportation Reauthorization Bill (TEA-3) that will be approved in 2003. By the end of December 2003, the Silver Line section from South Station to the South Boston waterfront area should be open for service. The need for direct access to this area from the Back Bay via the westbound lanes of the Massachusetts Turnpike means that the turnaround (slingshot) project must be a priority. In the meantime, access to the South Boston waterfront as well as parking limits will continue to raise concerns about the area's future.

Boston City Council. Finally, Felix Arroyo, who finished fifth in the at-large council race in 2000, will join the council with at-large councilor Francis "Mickey" Roache's departure to become the Suffolk registrar of deeds. Also, the District Nine seat left vacant after Councilor Brian Honan's tragic death this summer has been filled via special election by Jerry McDermott. The make-up of the council today is quite different from what it was just a few years ago. It's young: six members are in their 30s. While the councilors want to work with the mayor, they also want to establish their own reputations. This was seen most clearly when Council president Michael Flaherty, a Menino ally, voted against the mayor's rent-stabilization plan. This dynamic should translate into a more independent Council majority that's willing to exercise its voice in selected policy and fiscal matters.

Boston in 2003 will be a study in contrasts as it meets the current fiscal challenge and prepares for an exciting future.

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